



# COMMISSION ON INSURANCE

## COUNTY OF LOS ANGELES

Scott J. Svonkin  
**Chairperson**

Daniel Falcon  
**Vice-Chairperson**

Barry R. Binder  
Glenn S. Brown  
William K. Callagy  
Michael G. Cheung  
Don Lee  
Curren D. Price, Jr.  
Patricia Torres  
Steven Vicencia

### MINUTES

Meeting of January 18, 2006  
Kenneth Hahn Hall of Administration, Departments Room 525  
500 West Temple Street  
Los Angeles, CA 90012

**Commissioners Present:** Barry Binder, Glenn Brown, William Callagy, Michael Cheung, Daniel Falcon, Curren Price, Jr., Scott Svonkin, Patricia Torres, Steven Vicencia

**Commissioners Absent:** Don Lee

### CALL TO ORDER

In the absence of a quorum Vice-Chair Falcon called the meeting to order as a Committee of the Whole at 9:20 a.m.

Vice-Chair Falcon introduced and welcomed new Commissioner Steve Vicencia to the Commission.

(Commissioner Cheung joined the meeting at 9:22 a.m.)

Vice-Chair Falcon asked guest speakers to introduce themselves.

### TERRORISM COVERAGE UNDER A RISK SHARING MODEL

Rocky Armfield, Manager, LAC Risk Management, reported that Terrorist Risk Insurance Act (TRIA) was expected to Sunset in December 2005. Congress approved legislation with adjustments extending TRIA for another two years. He also reviewed the terrorism coverage purchased by the County for property and liability.

Mr. Armfield highlighted the RAND Corporation study and the impact of terrorism in large municipal areas with related funding by the County. He explained considering a pool insurance model, with a study on public entities that are active in pooling insurance. Further, he reported the opportunities and benefits of setting up a pooling insurance model or a joint insurance model. As well as terrorism insurance the County carries \$180 million in earthquake coverage.

Dave Holmquist, Director of Insurance, Risk Manager, LAUSD, reported on the District's risk finance approach to terrorism insurance. He explained that LAUSD carries \$100

million in coverage on property and liability, and is subject to a half-million self-insured retention deductible. Excess liability coverage is \$45 million with \$3 million retention deductible and a \$500 thousand fidelity policy, subject to a \$50 thousand deductible. Mr. Holmquist reported that due to the TRIA extension their present coverage is effective through 2007. He supports the idea of pooling and will continue to communicate with the CAO on the possibilities of coverage in the future.

(Chairperson Svonkin joined the meeting at 9:29 a.m.)

There being a quorum, Chairperson Svonkin called the meeting to order at 9:30 a.m.

Chairperson Svonkin thanked everyone present and explained of the County's interest with discussion on implementing a pooling system within the County, and further explained the concerns for readiness by the County and development of cohesive coverage.

Dave Holmquist continued summarizing the coverage retained by LAUSD. He also reported that to build a new school costs about \$100 million and that coverage is minimal. Mr. Holmquist expressed concerns for satisfactory coverage and the uncertainty of pending legislation after 2007.

Chairperson Svonkin commented on the difficulties to renew legislation on insurance coverage countywide, Chair Svonkin further explained the Commission's interest in protecting the Counties residents and assisting all entities with adequate insurance coverage for terrorism.

Victor Parker, Director, Risk Management, City of Los Angeles, introduced his colleagues: Kathy Mckofsky, Manager, Risk Management, Port of Los Angeles, and Michael Salazar, Risk Manager, DWP and (World Airport not present). Mr. Parker spoke on the City's respective budgets and insurance coverage with their unique terrorism clauses. He explained that each department is a self-insured entity, and some properties such as the Central Library and the Transamerica building are Bond Finance Properties. He also explained that TRIA applies only to acts of foreign terrorism and that cities are concerned with domestic events.

Mr. Parker reported the Convention Center's insured at \$937 million, with \$400 million in limits. He reported the differences in coverage for waste water properties for sanitation, and aircraft and helicopter fleets, which include the police and fire departments, with coverage at \$40 million having the greater part for earthquake insurance. Mr. Parker further reported that an approximate premium payment would be \$400 thousand annually and allowance would cover only selected properties. He also discussed the dynamics of being under insured inasmuch that federal funding would provide coverage with FEMA grants.

(Commissioner Brown joined the meeting at 9:35 a.m.)

Chairperson Svonkin commented on the New Orleans disaster and the Northridge earthquake and pooling insurance coverage could include top businesses performing within the County.

Commissioner Falcon commented on Bond Financed Properties and the insurance requirements; Prop F., Prop Q. and Prop K. and their respective needs.

Kathy Merkofsky, Risk Manager, Port of Los Angeles, reported their values at \$1 billion in coverage for both certified and noncertified acts of terrorism. Their bond rating increased because of coverage needed to protect the properties. Ms. Merkofsky explained the department's catastrophic fund which holds approximately \$80 million. If there was an attack, there is more than enough coverage to restore the top ten most profitable tenant sites. Public Officials liability is also covered and the total coverage is approximately \$150 million.

(Commissioner Curren joined the meeting at 9:45 a.m.)

Greg Kildare, Risk Manager, MTA, reported that because of the cost of TRIA coverage it is only on excess liability insurance program and not property site. Mr. Kildare reported their existing coverage is \$300 million on property insurance coverage and excess liability is at \$100 million. Over \$4.5 million self-insured retention and roughly \$50 million on TRIA coverage excess liability, this purchased based on quotes received on insurance renewal.

Mr. Kildare explained that premiums on TRIA coverage are at a 100% mark up and some policies have gaps in coverage. Earthquake insurance is also expensive, self-insured and companies interested in coverage have FEMA as a backstop. FEMA has provided some coverage to MTA after the Northridge earthquake for rebuilding tunnels at \$50 million. Mr. Kildare suggested qualifying for Federal assistance should be considered on the purchase premium price and coverage to make insurance equitable for the under-insured. He further added that pooling is beneficial with the cost of excess liability and base property for earthquake with out the Federal backstop. Mr. Kildare also reported that his department is paying \$5 million annually on excess liability insurance and \$5 million for the MTA.

Michael Salazar, Risk Manager, Department of Water and Power, Los Angeles, reported that his department, does not buy terrorism coverage. Mr. Salazar explained the fundamentals on the departments operation and business nature, specifically related to chemical and biological issues.

Mr. Salazar reported the department has approximately \$10 billion in property assets; \$7 billion operates within the State of California; and \$3 billion in Nevada. He commented on FEMA benefits should there be any absence in coverage. Mr. Salazar reported that the damage from the Northridge earthquake resulted in a recovery of \$146 million from FEMA.

Victor Parker commented on the procedure for requesting waivers from FEMA for future funding grants in relation to the Stafford Act. Once a waiver is obtained the federal insurance requirements are waived and no insurance coverage is necessary.

Greg Kildare, reported the World Airports (not present) have extensive terrorism insurance coverage. After 9-11 World Airports purchased a stand alone war and terrorism policy in addition to property terrorism insurance.

Mr. Kildare explained the department is fully insured with over a billion in assets and under general liability all premises are covered, which includes 4 airports and runways. He also reported that earthquake insurance is included, making this department the biggest purchaser of insurance in the City of Los Angeles. Chairperson Svonkin expressed concerns for satisfactory coverage, and encouraged everyone to continue considering the insurance pooling benefits and opportunities.

Commissioner Brown expressed his concerns for satisfactory coverage for catastrophic events, the pooling commonalities of businesses that perform within the County of Los Angeles, and considerations on self-insured dynamics. Commissioner Brown encouraged the idea of pooling with private entities.

(Commissioner Torres joined the meeting at 9:55 a.m.)

Commissioner Callagy praised everyone present, and thanked the speakers for their informative presentations. He also encouraged all speakers to continue discussions and consider the benefits of insurance pooling among themselves and possibly to including the private entities.

Chairperson Svonkin thanked all the speakers for their attendance and for their informative presentations. Chairperson Svonkin invited all speakers to return and express any new concerns developments.

### **APPROVAL OF NOVEMBER 16, 2005 MEETING MINUTES**

On motion of Commissioner Price, seconded by Vice-Chair Falcon and unanimously carried, the minutes of November 16, 2005 were approved.

### **STAFF REPORT**

Staff reported the following:

- Sandra Barbee, Chief, Commission Services, reported the Commission's Web page is near completion. Ms. Barbee gave the Commission available URL's to choose from for their Web page. Following discussion, the Commission agreed on latic.org as their first choice and Los Angelescic.org as their second. Chairperson Svonkin directed staff to e-mail Commissioners a sample of the one-

- paragraph bio to use as a sample to draft theirs and to send staff a color-photo. Chairperson Svonkin thanked Ms. Barbee for her support.

(Commissioner Binder joined the meeting at 10:30 a.m.)

### **ELECTION OF OFFICERS**

Nominations for Chairperson were opened. Commissioner Brown nominated Chairperson Svonkin for reelection. Nominations were closed. On motion of Commissioner Brown, seconded by Commissioner Price, with Vice-Chair Falcon, Commissioners Binder, Callagy, Cheung, Torres, and Vicencia voting aye, Scott Svonkin was reelected Chairperson.

Nominations for Vice-Chair were opened. Commissioner Price nominated Vice-Chair Falcon for reelection. Nominations were closed. On motion of Commissioner Price, seconded by Commissioner Brown, with Chairperson Svonkin, Commissioners Binder, Callagy, Cheung, Torres and Vicencia voting aye, Daniel Falcon was reelected Vice-Chair.

The Commission praised Chairperson Svonkin and Vice-Chair Falcon for their outstanding leadership.

### **UPDATE ON PENDING LEGISLATION**

Chairperson Svonkin reported that he will review all pending legislation pertaining to insurance and will have staff disseminate to Commissioners for approval.

### **STATE DEPARTMENT OF INSURANCE LICENSING DATA**

Chairperson Svonkin requested the list of all licensed insurance agencies that are performing and conducting business within the County of Los Angeles be issued to the Commission at a future meeting for review.

### **TERRORIST RISK INSURANCE ACT (TRIA) UPDATE**

Rocky Armfield reported the Board of Supervisors recently sent a signed "5-signature letter" urging Congress to extend the Terrorist Risk Insurance Act (TRIA) coverage. In December 2005, Congress passed legislation extending the TRIA to December 2007 with modifications, such as not covering automobiles, and considerable changes in deductibles with premiums expected to rise an additional 40%. The Commission expects updates in July 2006.

Chairperson Svonkin asked Mr. Armfield to prepare a list of all Risk Insurance Managers working in Los Angeles County and California. Chairperson Svonkin thanked Mr. Armfield for his efforts, aid and support with all TRIA issues.

Vice-Chair Falcon suggested expanding the networking aspects on pooling and developing relationships with additional private entities that require insurance coverage. He requested that any related information be submitted to the Commission for review.

### **WORKERS' COMPENSATION UPDATE**

Commissioner Callagy referenced a Los Angeles Times article summarizing the Workers' Compensation Insurance distribution Countywide (copy on file). Rocky Armfield reported on the improvements from the reforms in 2003. The losses paid by the County in 2003 were about \$293 million and in 2004 losses were \$325 million. The loss prevention efforts declined in 2005 to \$270 million, a record decrease since 1850.

Mr. Armfield suggested the Commission include the Union's on a future discussion of Workers' Compensation. Commissioner Callagy commended Rocky Armfield for his work and involvement in providing the Commission with informative data. He also expressed the work between the CAO and the Commission will better serve the Board of Supervisors.

Chairperson Svonkin commented on his concerns on providing adequate care for the injured, cost increases, and fraudulent claims. Vice-Chair Falcon extended support to Mr. Armfield and requested the Commission remain apprised.

### **PUBLIC COMMENT**

Mary Callagy commented on the capital associated with setting up an Offshore Captive Insurance Company.

### **MATTERS NOT ON POSTED AGENDA (To be placed on the agenda for discussion at a future meeting)**

Vice-Chair Falcon reported on an article involving Mercury Insurance and a ballot measure that would adjust Prop.103. He also requested the Commission look for more information on this matter.

### **ANNUAL CERTIFICATE OF RECOGNITION FOR CONSUMER INSURANCE SERVICES**

Chairperson Svonkin advised that Commissioners can submit nominations for the Consumer Insurance Services recognition to either the Chair or Vice-Chair.

### **ADJOURNMENT**

There being no further business the meeting adjourned at 11:08 a.m.

**ATTENDANCE**

**Staff**

Sandra Barbee, Chief, Commission Services, Executive Office, Board of Supervisors  
Twila Kerr, Senior Staff, Commission Services, Executive Office, Board of Supervisors  
Gabriel Alexander, Commission Services, Executive Office, Board of Supervisors

**Guests**

Rocky Armfield, Risk Management, CAO  
Dave Holmquist, Director of Insurance, Risk Manager, LAUSD  
Victor Parker, Risk Manager, City of Los Angeles  
Kathy Mcovsky, Risk Manager, Port of Los Angeles  
Greg Kildare, Risk Manager, MTA  
Michael Salazar, Risk Manager, DWP  
Dennis Verochy, Risk Manager, MTA